

Isaac Nutovic, Esq.
NUTOVIC & ASSOCIATES
Proposed Counsel to the
Debtors and Debtors-in-Possession
488 Madison Avenue, 16th Floor
New York, New York 10022
(212) 421-9100

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X

In re

Chapter 11

C2 MEDIA LLC, et al

Case No. 10-10783
(Jointly Administered)

Debtor

-----X

**APPLICATION TO MODIFY EMERGENCY ORDER
AUTHORIZING DEBTORS' USE OF CASH COLLATERAL
AND GRANTING ADEQUATE PROTECTION**

**TO THE HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE :**

C2 Media LLC, C2 Media, Inc., Keogh & Co., C2 Technology, Inc and C2 Media Canada Holdings LLC (the "Debtors" or "C2 Media"), the debtors and debtors-in-possession herein (together, the "Debtors"), as and for their application for entry of an emergency order, pursuant to 11 U.S.C. §§ 105, 361 and 363, and Rule 4001(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Local Rule 4001-2, seeking to modify this court's order entered on February 22, 2010 granting the Debtors authority to use cash collateral on an emergency basis, respectfully represents:

Jurisdiction

1. On February 18, 2010 (the "Petition Date"), the Debtors filed voluntary

petitions under Chapter 11 of the Bankruptcy Code and have continued in the management and operation of their business and property as debtors-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

RELIEF REQUESTED

2. By this application the Debtors seek the entry of an order, substantially in the form annexed as **Exhibit A**, modifying the order previously entered by this Court on February 22, 2010 (the “Emergency Cash Collateral Order”)(**Exhibit B** annexed) after a hearing held on February 18, 2010, pursuant to which the Court authorized use of cash collateral but limited it to \$200,000. The Debtors seek modification of the Emergency Cash Collateral Order to provide that the Debtors may use funds in accordance with amounts set forth in a budget annexed as **Exhibit C** (the “Budget”), until such time as the Court is able to consider the Debtors’ motion for an interim and final use of cash collateral in accordance with a stipulation (the “Consensual Stipulation”) with Bank of America (the “Lender”) on notice to the Debtors’ 20 largest unsecured creditors, its 5 largest secured creditors, parties requesting notice and the United States Trustee. The Budget has been approved by the Lender and forms the basis for the Consensual Stipulation.

3. Based on conversations with the court’s chambers, the Debtors do not expect to be able to schedule a hearing to consider use of the Consensual Stipulation before March 1, 2010 at the earliest and the Debtors cannot survive through this week on the limited amount which was authorized for use in the Emergency Cash Collateral Order. The Debtors still do not have a fully executed cash collateral stipulation with the Lender (although all items have been agreed upon) and were not able to file the motion seeking approval of the Consensual

Stipulation today. Accordingly, the Debtors seek a modification of the Emergency Cash Collateral Order.

4. In accordance with Local Bankruptcy Rule 4001-2(g) and (h) the Debtors represent that:

(i) The proposed amounts of cash collateral to be used through February 26, 2010 are as set forth in the Budget i.e. up to \$1,590,000 (the Budget includes an adequate protection payment of \$100,000 which will not be made) including such critical items as payroll, commissions and benefits of approximately \$880,000 which need to be paid this week and \$100,000 to pay a Canadian subsidiary wholly owned by the Debtors. The subsidiary does a substantial amount of work for the Debtors which work generates receivables from the Debtors' U.S. based customers. The subsidiary currently is owed \$6 million from the Debtors.

(ii) The expenses to be paid shall all be post petition expenses of the Debtors (except as may otherwise be ordered by the court with respect to certain payroll items).

(iii) Without authorization of this use of cash collateral, the Debtors will suffer immediate and irreparable harm as the Debtors have no funds which are not cash collateral of the Lenders and the Debtors will be unable to operate their business.

(iv) The Debtors seek authority for emergency use of cash collateral until such time as they are able to schedule a hearing for approval of cash collateral stipulation with the Lender application for which will be filed tomorrow.

(v) The Debtors believe that the Budget will be adequate to pay all administrative expenses (other than professional costs which will be provided for out of the proceeds of the expected sale of the Debtors' assets if the Consensual Stipulation is approved)

5. In accordance with Bankruptcy Rule 4001-(b)(1)(B) the Debtors represent, in addition to the information set forth above, that:

(i) After examination of the Lender's loan and security documents and UCC Financing statements on file, the Debtors believe that Bank of America has a perfected security interest in all of the Debtors' cash and that the Lender is the only entity with an interest in the cash collateral.

(ii) The Debtors propose to use the cash collateral for purposes set forth in the Budget for ordinary course business expenses.

(iii) The Debtors propose only to provide a substitute lien to the Lender as set forth in the Emergency Cash Collateral Order.

NOTICE AND ORDER SHORTENING TIME

6. The Debtors have notified the Lender and the United States Trustee of this application and that they will attempt to obtain a hearing from the Court on February 23, 2010. Because of the need for the relief on an emergency basis, the Debtors request that the Court shorten time for noticing a hearing to consider the application.

NO PRIOR RELIEF REQUESTED

7. No previous application for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors seek entry of an order in the form attached hereto as **Exhibit A** granting the relief requested herein and for such other and further relief as is just and proper.

Dated: New York, New York
February 22, 2010

Respectfully submitted,

NUTOVIC & ASSOCIATES

By: s/Isaac Nutovic

Isaac Nutovic, Esq.
488 Madison Avenue, 16th Floor
New York, New York 10022
Telephone: (212) 421-9100
Proposed Attorneys for the Debtors and Debtors in
Possession